

CAI Z 1  
57E23



SUBMISSION

TO

ROYAL COMMISSION ON ENERGY

BY

DEPARTMENT OF MINES AND MINERALS

GOVERNMENT OF THE PROVINCE OF ALBERTA



Calgary, Alberta

February 3, 1958

A faint, light-grey watermark of the Alberta Legislature building is centered in the background. The building features a prominent portico with four columns and a triangular pediment.

Digitized by the Internet Archive  
in 2021 with funding from  
Legislative Assembly of Alberta - Alberta Legislature Library

[https://archive.org/details/ableg\\_33398001248441\\_0](https://archive.org/details/ableg_33398001248441_0)

## Contents

|  | Page  |
|--|-------|
| FEDERAL ADMINISTRATION . . . . .                 | 1-9   |
| LAND SALES . . . . .                             | 1     |
| LEASES . . . . .                                 | 4     |
| SCHOOL LANDS . . . . .                           | 6     |
| PROSPECTING PERMITS . . . . .                    | 6     |
| ROYALTY . . . . .                                | 7     |
| TRANSFER TO PROVINCE . . . . .                   | 8     |
| <br>PROVINCIAL ADMINISTRATION . . . . .          | 10-47 |
| DEPARTMENT OF LANDS AND MINES . . . . .          | 10-13 |
| Royalty . . . . .                                | 12    |
| DEPARTMENT OF MINES AND MINERALS . . . . .       | 13-47 |
| MINES AND MINERALS ACT . . . . .                 | 13-39 |
| PART I . . . . .                                 | 14    |
| Royalty . . . . .                                | 14    |
| PART VI . . . . .                                | 15    |
| Crown Reserves . . . . .                         | 15    |
| Dispositions . . . . .                           | 16    |
| Petroleum and Natural Gas Leases . . . . .       | 19    |
| Petroleum and Natural Gas Reservations . . . . . | 21    |
| Crown Reserve Drilling Reservations . . . . .    | 24    |
| Natural Gas Licences . . . . .                   | 26    |
| Crown Reserve Natural Gas Licences . . . . .     | 29    |
| Natural Gas Leases . . . . .                     | 31    |
| PART VII . . . . .                               | 32    |



|   | Page  |
|---|-------|
| PART VIII . . . . .                     | 33    |
| PART IX . . . . .                       | 34    |
| PART X . . . . .                        | 35    |
| Bituminous Sands Projecting Permits . . | 37    |
| Bituminous Sands Leases . . . . .       | 38    |
| ACQUISITION OF SURFACE . . . . .        | 39-42 |
| PIPE LINES . . . . .                    | 42-45 |
| GAS LINES AND OIL LINES . . . . .       | 42    |
| GATHERING LINES . . . . .               | 43    |
| FLOW LINES . . . . .                    | 44    |
| LAND REQUIRED . . . . .                 | 44    |
| GENERAL . . . . .                       | 44    |
| MINERAL TAX . . . . .                   | 46-47 |



HISTORY OF  
PETROLEUM AND NATURAL GAS DISPOSALS  
BY THE CROWN  
IN THE PROVINCE OF ALBERTA

---

FEDERAL ADMINISTRATION

The mineral resources owned by the Crown in that part of Canada now contained within the Province of Alberta were administered by the Department of the Interior of the Federal Government from 1870 until the transfer of the natural resources to the Province of Alberta in 1930.

The patents for lands granted as homesteads or sold on or before the 31st day of October, 1887, included the mines and minerals. On that day Order in Council No. 1070 was passed authorizing the Minister of the Interior to insert a clause in all patents for lands that were granted after October 31, 1887, reserving to her Majesty all mines and minerals which may be found to exist within, upon or under the lands, together with full power to work the same and for that purpose to enter upon, and use and occupy the lands or so much thereof, and to such an extent as may be necessary for the effectual working of the minerals, or the mines, pits, seams and veins containing the same.

LAND SALES

During the year 1898, applications were made to the Department of the Interior to prospect for petroleum in lands in



southern Alberta and by Order in Council No. 1822 of the 6th day of August, 1898, the Minister of the Interior was authorized to reserve for an applicant for a period of six months an area not exceeding 640 acres of land to prospect thereon for petroleum and in the event of oil being found in paying quantity to sell the land to the applicant at the rate of \$1.00 an acre with the provision that a royalty of  $2\frac{1}{2}\%$  upon the sales of the petroleum be paid to the Crown. This order applied to lands situated south of the Canadian Pacific Railway in the District of Alberta.

The Order was rescinded by Order in Council No. 893 on the 31st day of May, 1901 which recites that it was deemed no longer advisable in the public interest to reserve for an applicant any particular area of land for the purpose of prospecting thereon for petroleum. The new Order in Council provided that all unappropriated Dominion lands in what is now Alberta on and after the first day of July, 1901, were open to prospecting for petroleum by any individual or company desiring to do so. Should oil in paying quantity be discovered by a prospector on any vacant land of the Crown, an area not exceeding 640 acres of land including and surrounding the land on which the discovery was made could be sold to the person or company making such discovery at the rate of \$1.00 an acre subject to a royalty at the rate from time to time prescribed by Order in Council.

In December, 1902, the regulations were amended permitting the Minister to reserve for an individual or company who had machinery



on the land to be prospected, an area of 640 acres of such shape as the Minister approved and the reservation made for such period as the Minister decided.

By an amendment in May, 1904, the area to be reserved for an individual or company was increased to 1,920 acres, the length of the tract not to exceed three times its breadth. Should oil in paying quantity be discovered by the prospector an area not exceeding 640 acres would be sold at the rate of \$1.00 an acre and the remainder of the area reserved, namely, 1,280 acres would be sold at the rate of \$3.00 an acre. The amendment provided that the patent for the land would convey the surface and the petroleum but would exclude all other minerals. This was the first indication of the rights to be conveyed in the patent.

The regulations were amended in July, 1905 to apply to lands the surface rights of which had been disposed of subject to the condition that the prospector, before entering upon lands disposed of, had to obtain a lease from the owner of the surface rights upon a form approved by the Minister of the Interior. The next amendment came in December, 1906, permitting the Minister upon application to make a reservation of an area of 1,920 acres for a period of four months for the purpose of allowing the applicant a sufficient time to install on the land the required machinery. The fee for a reservation was \$100.00. If the applicant failed to place machinery on the land within the period of four months the fee was forfeited while if the machinery were placed upon the land



and oil were found in paying quantity the fee could apply upon the purchase price or be refunded in case no discovery were made. During the period that the reservation was held the rights and privileges were not assignable. The Order also provided that the regulations for the reservation and sale of petroleum lands applied to the reservation and sale of lands for natural gas purposes.

These regulations for sale of petroleum and natural gas lands were rescinded on the 11th day of March, 1910. I do not know of the number or extent of the sales made to that date. However, twelve sales were patented covering 16,028 acres. Two of the patents were for surface and petroleum in 166 acres in Waterton Lakes National Park. Two other patents within the same park covered surface and petroleum and natural gas in 1,375 acres. One patent was granted for surface and petroleum and natural gas in 1,762 acres at Bow Island. The remaining seven patents were for surface and petroleum and natural gas in areas totalling 12,725 acres along the Athabasca River north of McMurray.

The first regulations governing the leasing of petroleum and natural gas rights came into being on May 2, 1910. These regulations applied to all Dominion lands in Alberta.

#### LEASES

The main features of the leases were  
Rental                    - Twenty-five cents an acre for the first year  
                            and fifty cents an acre for each succeeding



year.

Term - Twenty-one years and renewable for twenty-one years.

Maximum Area - 1,920 acres.

Work Required - Install machinery suitable for carrying on prospecting operations within one year of the date of the lease with the proviso that the value of the machinery so installed need not exceed the sum of \$5,000.00. Within fifteen months of the date of the lease commence boring operations on the leasehold.

Rights Conveyed - Oil and natural gas rights, the property of the Crown.

Royalty - None on petroleum products until the first day of January, 1930. After that date subject to the royalty prescribed by regulations. On natural gas a royalty at the rate from time to time specified by Order in Council on the natural gas products recovered.

Credits - The rentals for the second and third year of the lease could be satisfied from expenditures incurred in drilling.

Number of Leases - Only the maximum area of 1,920 acres could be held under lease by application but there was no restriction as to the number of leases that might be held by assignment.



Minor changes were made in the lease regulations up to 1930. The rental for the first year was increased from 25 cents to 50 cents an acre and the rental for each succeeding year was increased from 50 cents to \$1.00 an acre. The application of drilling credit in satisfaction of rentals was extended to the fourth and fifth year's rentals. The rights conveyed were restricted to the oil and gas that could be obtained by the usual process of boring but not the oil shale rights nor the oil which might be recovered from such shales by the process of extraction customary in such cases. Provision was made in 1913 for a lessee to group his leases so that the drilling of a well would satisfy the drilling of one well on each lease included in the group, the maximum area permitted in a group was 12,800 acres and this was increased in 1922 to 20,000 acres.

#### SCHOOL LANDS

Regulations for the issue of leases for petroleum and natural gas rights in school lands were established on May 14, 1913. The lease conditions were much the same as for Dominion lands excepting that the maximum area that could be held by application was 640 acres and there was no provision for grouping for drilling until the regulations applying to Dominion lands were made to apply to school lands on the twelfth day of July, 1928.

#### PROSPECTING PERMITS

Regulations governing the issue of permits to prospect for petroleum and natural gas, the property of the Crown, were established on May 7, 1928.



The terms of the permits may be summarized

|                |   |
|----------------|---|
| Rental         | - Ten cents an acre.  |
| Cash Bond      | - Forty cents an acre, refundable if core drilling or other satisfactory operations conducted.                                      |
| Term           | - One year.   |
| Maximum Area   | - 1,920 acres.  |
| Right to Lease | - Entire area.  |
| Credits        | - The first year's rentals on the lease applied for out of the permit could be satisfied from expenditures incurred in exploration. |

#### ROYALTY

As previously mentioned the petroleum and natural gas leases provided that no royalty would be charged upon the sales of the petroleum obtained until the 1st day of January, 1930.

In 1920 representations were made to the Department of the Interior that failure to fix the royalty that might be charged on the products of petroleum locations had the effect of retarding development, as persons contemplating investment in the industry hesitated to incur the large initial expenditure necessary to insure success without knowing what royalty would be charged upon the oil that might be discovered. Upon consideration of these representations an Order in Council dated October 29, 1920, provided that for a period of five years after the date upon which the Minister of the Interior might decide that oil in commercial quantity had been



discovered, the royalty to be collected would not exceed 5% of the sales of the products nor be less than  $2\frac{1}{2}\%$ , and for a further period of five years the royalty to be collected would not exceed 10% of the sales nor be less than 5%, and thereafter the royalty would be 10% of the sales of the products.

In July, 1929 Honourable Charles Stewart, Minister of the Department of the Interior published by advertisement a notice to holders of petroleum and natural gas leases comprising Dominion and School lands, that on and after the 1st day of January, 1930, they were required to pay to the mining recorder for the district a royalty of 5% of the petroleum and naphtha produced from wells situated on lands comprised in their leaseholds. No royalty was prescribed on sales of natural gas.

#### TRANSFER TO PROVINCE

The transfer of the natural resources to Alberta took effect on October 1, 1930 and the active petroleum and natural gas leases and prospecting permits transferred to the Province for administration consisted of:

| <u>Nature</u>            | <u>Number</u> | <u>Acreage</u> |
|--------------------------|---------------|----------------|
| Leases on Dominion lands | 16,904        | 2,269,236      |
| Leases on school lands   | 1,964         | 191,726        |
| Prospecting permits      | 99            | 82,965         |

The mineral status in the Province at the time of the transfer may be summarized as:



| Retained by Canada  | <u>Acreage</u>     |
|---|--------------------|
| In Dominion Parks.....  | 13,434,240         |
| In Indian Reserves.....   | 1,328,090          |
| Granted by Canada to  |                    |
| Railways.....   | 13,031,731         |
| Hudson's Bay Company.....   | 2,404,000          |
| Others including homesteaders,<br>prospectors, etc....(estimated) | 564,269            |
| Acquired by Alberta in the transfer.....                          | <u>132,620,070</u> |
| Total Acreage in the Province                                     | 163,382,400        |

The Hudson's Bay Company was entitled to one twentieth of the lands within that area of the Province lying to the south of the North Saskatchewan River that were surveyed before 1920. The general area in which these grants were made is shown outlined in red on a map of the Province. Railway companies were granted approximately sixteen sections in each township in certain areas in the Province. Some years prior to the transfer of the resources to the Province exchanges were made of lands by the railway companies with the Crown to permit consolidation of railway lands in areas where irrigation projects were contemplated. These consolidated areas of railway lands are colored in green. The areas outlined in green on the map show the areas where railway lands were granted but not involved in the consolidation. This map will appear as Exhibit



PROVINCIAL ADMINISTRATION

DEPARTMENT OF LANDS AND MINES

The statutes and regulations of the Federal Government pertaining to natural resources in the province were continued in effect by The Administration of Natural Resources (Temporary) Act until June 18, 1931, on which day The Provincial Lands Act came into force by proclamation together with the regulations under the Act.

The Provincial regulations of interest here were:

1. Regulations governing the issue of permits to prospect for petroleum and natural gas.
2. Petroleum and Natural Gas Regulations (Provincial Lands).
3. Petroleum and Natural Gas Regulations (School Lands).

These regulations were practically identical to the regulations in force immediately prior to the transfer of the resources to the Province.

With the advancement of geological and geophysical methods for locating structures suitable for oil accumulation it became apparent that prospecting permits did not cover adequate acreage so in January of 1936, the regulations were amended permitting the size of areas granted to be in the discretion of the Minister instead of the maximum area of 1,920 acres that prevailed before. At the same time the regulations dealing with leases in Provincial lands were amended increasing the size of groups to 50,000 acres and permitting the app-



lication of drilling credits in satisfaction of lease rentals up to and including the twelfth year of a lease.

In September of 1937, the prospecting permit regulations were rescinded and replaced by Regulations Governing Petroleum and Natural Gas Reservations allowing up to 50,000 acres to be included in a reservation.

In March of 1941, new regulations were established for the reservation of petroleum and natural gas rights. The maximum area of a reservation was increased to 200,000 acres and a person was permitted to hold in his own name at any one time three reservations.

New regulations were established in August of 1941 governing the disposal of petroleum and natural gas rights, the property of the Crown in Provincial lands and in school lands. The areas obtainable under lease by application were increased from 1,920 to 9,600 acres. The number of acres to be included in a group for drilling was reduced to 19,200 acres but provision was made to permit the application of excess credits to satisfy the rental on not more than 35,000 acres in any year of other leases held by the lessee and situated elsewhere in the Province.

In July of 1947, some five months following the Leduc discovery the number of reservations a person could hold at any one time was reduced to two, each covering not more than 100,000 acres. The right to assign a reservation was then withdrawn. In August of the same year new lease regulations were established increasing the



maximum size of a lease to sixteen sections or 10,240 acres and requiring the creation of a Crown reserve of equal acreage in close proximity to the lease. This meant that anyone applying for leases in an area held under reservation could acquire not in excess of 50% of the lands contained in the reservation.

In March, 1948, the lease regulations were again changed to reduce the maximum size of the lease to nine sections or 5,760 acres. The length of a lease could not exceed four miles and could not exceed twice its breadth, meaning that if a lease were taken in the form of a square each of its boundaries could be three miles in length while if it were taken in the form of a rectangle, the maximum would be eight sections or 5,120 acres. The restriction on the maximum acreage acquired by application was removed and following that time there has been no restriction on the number of leases that may be held by application or assignment.

#### Royalty

The royalty of 5% of sales of oil set by the Minister of the Interior continued until January 1, 1935. The royalty for the period of five years commencing January 1, 1935, was 10% of the sales and the royalty from January 1, 1940 to June 1, 1941 was  $12\frac{1}{2}\%$ .

New royalty regulations came into effect on June 1, 1941, requiring that the royalty to be computed, levied and collected on all products, other than natural gas, obtained from a well would be that percentage of the products obtained equivalent to the square root of the average daily production, subject to a maximum royalty of 15% and a minimum of 5% and also subject to the proviso that



with the first return for the well an election could be made to pay royalty until the end of May, 1951, at  $12\frac{1}{2}\%$  of all products, other than natural gas, instead of on the square root formula.

The royalty on all products, other than natural gas, obtained from a lease acquired prior to the transfer of the natural resources to the Province was continued at 10%.

The royalty on natural gas for the ten year period commencing June 1, 1941, was 15% of the selling price subject to a minimum royalty of one-quarter of one cent per thousand cubic feet. The minimum royalty on natural gas was increased on March 30, 1948, to three-quarters of one cent per thousand cubic feet.

#### DEPARTMENT OF MINES AND MINERALS

The Department of Lands and Mines ceased to exist on April 1, 1949, on which date the Department of Mines and Minerals came into being. The Mines and Minerals Act (Exhibit ) came into force on that day and applies to all mines and minerals vested in or belonging to the Crown in right of the Province, and also applies to all mines except:

- (a) as to the working and operating of a coal mine or to any working incidental to the extraction of coal, or
- (b) to any drilling, production or abandonment operations of a well for which a licence is required by the provisions of The Oil and Gas Conservation Act.

The Mines and Minerals Act is divided into parts and it is



proposed in this submission to comment on each part that deals with petroleum and natural gas disposals.

#### PART I

Section 19 empowers the Lieutenant Governor in Council to establish a tariff of fees and Regulation No. 798/57 embodies the existing tariff of fees. (Exhibit )

##### Royalty

Royalty payable after June 1, 1951, is in accordance with the Petroleum and Natural Gas Royalty Regulations (Exhibit ) that came into force on June 1, 1951.

In summary the royalty on crude oil is  $16 \frac{2}{3}\%$  for wells producing over 4,050 barrels a month, decreasing to  $12 \frac{1}{2}\%$  when the monthly production is 1,500 to 1,800 barrels and decreasing to 5% at 600 barrels a month.

The royalty on natural gas or residue gas sold or consumed for some useful purpose is 15% of the selling price or fair value at the time and place of production, subject to a minimum of three-quarters of one cent per thousand cubic feet unless the gas is processed to obtain liquid hydrocarbons, sulphur compounds or carbon dioxide. The royalty with respect to other fluid hydrocarbons and sulphur obtained by processing natural gas is  $12 \frac{1}{2}\%$  of the selling price. These royalty regulations will continue in force until June 1, 1961, and thereafter until changed by Order of the Lieutenant Governor in Council.



A statement of royalties collected by calendar years following 1947 has been prepared. (Exhibit )

#### PART VI

This part provides for:

- (a) the establishment and disposal of Crown reserves,
- (b) the provisions applicable to petroleum and natural gas leases, and
- (c) empowers the Lieutenant Governor in Council to make regulations governing disposal of petroleum and natural gas rights and natural gas rights.

#### Crown Reserves

The petroleum and natural gas rights, the property of the Crown, in areas described in section 277 of The Mines and Minerals Act are constituted Crown reserves.

These areas are:

1. fractional areas of less than one-quarter section,
2. the areas within 14 provincial reserves indicated on the map, (Exhibit ),
3. an area equal in size and in close proximity to a petroleum and natural gas lease, and
4. the lands in a petroleum and natural gas reservation that the holder of the reservation is not permitted to acquire under lease. These areas comprise 50% of the lands in the reservation.



A Crown reserve may be disposed of upon such terms and conditions as may be prescribed by the Lieutenant Governor in Council and disposition is made by advertising in the following instances:

1. leases in proven or semi-proven areas,
2. leases in unproven areas,
3. reservations in provincial reserves,
4. Crown reserve drilling reservations, and
5. Crown reserve natural gas licences.

When a right to a disposition in a Crown reserve is offered for sale, the highest offer is always accepted unless, in the case of a lease in 1. or 2. above, it is considered that the highest offer is not commensurate with the estimated value of the lease and all offers for the lease are rejected.

If a fractional area is required to complete a spacing unit for a well the Lieutenant Governor in Council may set the purchase price at which the operator of the well may acquire a petroleum and natural gas lease or a natural gas lease of the fractional area. The purchase price may be set in the same way for a natural gas lease required for the operation of a natural gas utility.

Disposals of leases in Crown reserves commenced in the year 1948 and disposals of reservations and licences followed. Revenues to the Province from Crown reserve disposals by years are indicated in the statement (Exhibit ).

#### Dispositions

Mention is made that each petroleum and natural gas lease



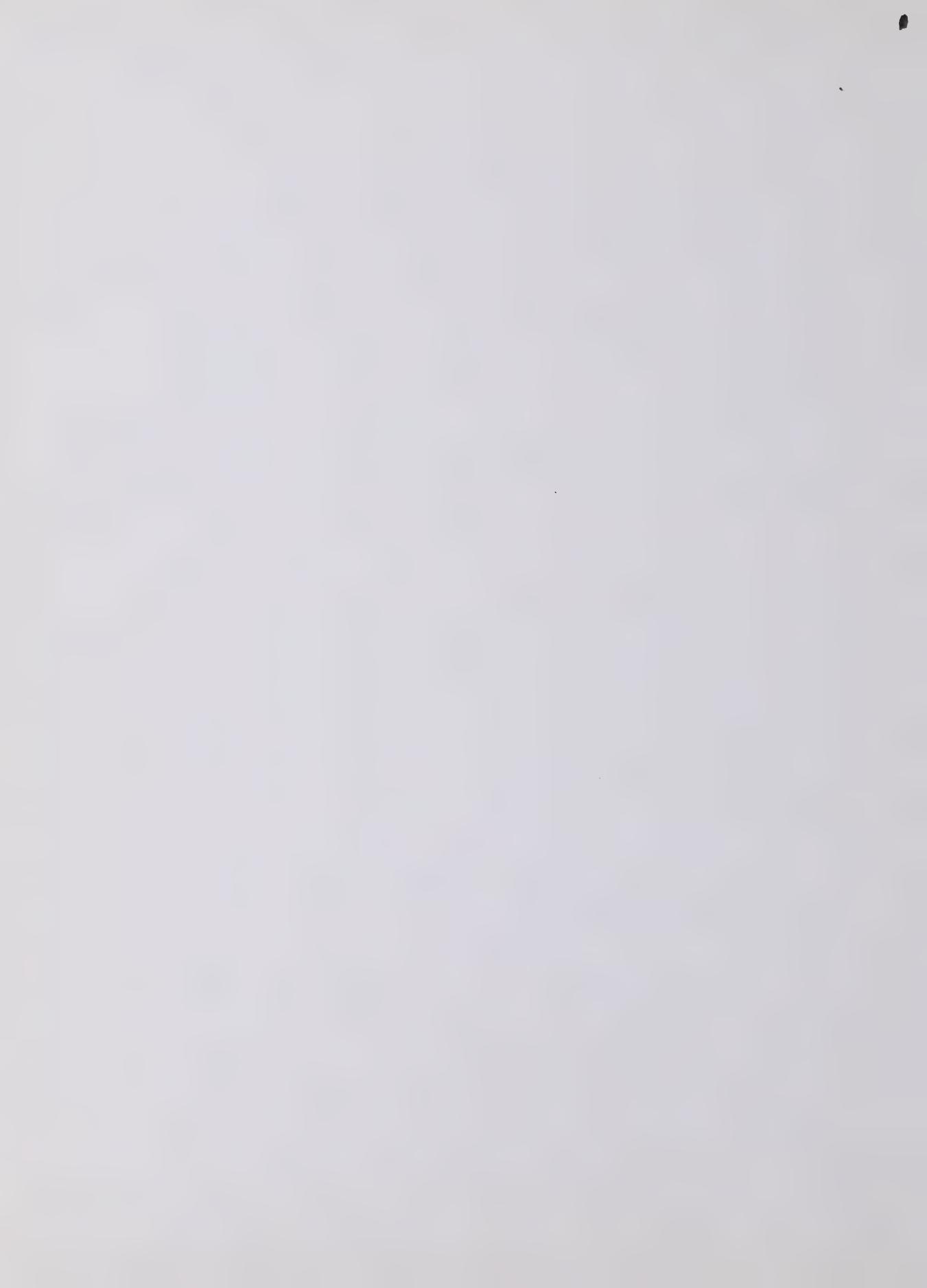
issued following May 15, 1948 and each natural gas lease includes a covenant by the lessee that natural gas taken from the lease shall be used within the Province of Alberta unless the consent of the Lieutenant Governor in Council to its use elsewhere is obtained. Consent is given after a permit is obtained authorizing the removal of the gas from the Province under The Gas Resources Preservation Act.

The various types of disposals with the year of their first coming into being are:

| <u>Type</u>                           | <u>Year</u> |
|---------------------------------------|-------------|
| Petroleum and natural gas lease       | 1910        |
| Petroleum and natural gas reservation | 1937        |
| Crown reserve drilling reservation    | 1954        |
| Natural gas licence                   | 1951        |
| Crown reserve natural gas licence     | 1952        |
| Natural gas lease                     | 1952        |

At December 31, 1957, the number and acreage of leases, reservations and licences were:

| <u>Nature of Disposition</u>           | <u>Number</u> | <u>Acreage</u> |
|--|---------------|----------------|
| Petroleum and natural gas leases       | 27,167        | 22,213,525     |
| Petroleum and natural gas reservations | 889           | 50,396,500     |
| Crown reserve drilling reservations    | 157           | 1,152,506      |
| Natural gas licences                   | 11            | 215,931        |
| Crown reserve natural gas licences     | 17            | 328,289        |



|                    |        |            |
|--------------------|--------|------------|
| Natural gas leases | 302    | 1,540,398  |
| Totals             | 28,543 | 75,847,149 |

When a petroleum and natural gas lease is cancelled or surrendered the rights contained therein and the rights in the Crown reserve established for the lease, do not again become available for application as a lease or reservation until the rights have been posted for tender for a period of thirty days. If a tender is not received the rights are available for application to the first person applying at the appropriate office of the Department after 8:30 A.M. on the day following. The same procedure applies when a reservation is cancelled or surrendered or when a portion of a terminated reservation is not required for leases and their appurtenant Crown reserves.

Bonuses received for rights offered under the preceding paragraph and revenues to the Province by years from 1947 from rentals on petroleum and natural gas disposals and natural gas disposals appear in (Exhibit ).

Over the years the reservations granted for exploring for petroleum and natural gas have been located within the general area outlined in red on the map of the Province displayed as (Exhibit ).

In explaining the various types of disposals of petroleum and natural gas rights and natural gas rights, the main features are summarized.



## Petroleum and Natural Gas Leases

- Fee - \$10.00
- Annual rental - \$1.00 an acre
- Maximum area - 5,760 acres in the form of a square or 5,120 acres in a rectangular form.
- Number - A person may hold any number of leases.
- Form of lease - The lease is in the form prescribed by the Minister. (Exhibit No. .)
- Term - 21 years
- Renewable - For terms of 21 years each so long as the leasehold is capable of producing petroleum or natural gas in commercial quantity.
- Rights granted - The lease grants the right to the petroleum and natural gas but does not include the right to bituminous sands nor to the petroleum or natural gas that may be recovered from bituminous sands.
- Royalty - As prescribed by the Petroleum and Natural Gas Royalty Regulations.
- Maximum royalty - The maximum royalty on petroleum during the first term of 21 years is one-sixth.
- Work required - The drilling of a well is to be commenced within one year of issue of the lease. When a well is abandoned, the drilling of the next well is to be commenced within six months and when a well is completed as a producer, the drilling of the next well is to be commenced within ninety days. These requirements are not now enforced and before any are enforced the lessee will be given at least 30 days notice to commence drilling.
- Grouping - A lessee may group his leases, any portion of which are located within a radius of three miles of the projected well site, but not more than 11,520 acres may be included in a group. The drilling of a well or wells on grouped leases meets the requirements for drilling in the same manner as drilling on a lease. When petroleum is discovered in a leasehold the lease may not continue in a group.



Offset Drilling - If production of petroleum is taken from a well on freehold property and the spacing unit for the well laterally adjoins a lease, the lessee must commence drilling of an offset well within ninety days of the well coming into production on the freehold land. Where a well produces natural gas from freehold property, upon considering market requirements and after consultation with the lessee an offset well may be required to offset the freehold gas producer. If a lessee does not wish to drill an offset well he may surrender out of the lease the area of the spacing unit or he may obtain a deferment from year to year upon payment of a penalty or additional rental as may be prescribed each year by the Minister.

Surrender - A lessee may surrender his lease at any time and may surrender a portion of the lease with the consent of the Minister.

Crown Reserves - When a lease is applied for, an area of equal acreage becomes a Crown reserve in the same township in as close proximity to the lease as possible.

Transfer - A lessee may transfer his lease or certain portions thereof if the transfer is registered under Part VIII of The Mines and Minerals Act.



Petroleum and Natural Gas Reservations

|                                       |   |
|---------------------------------------|---|
| Fee                                   | - \$250.00  |
| Deposit                               | - \$2,500.00 for each 20,000 acres or portion thereof payable in cash or negotiable bearer bonds of the Dominion of Canada or of the Province of Alberta to guarantee compliance with the regulations.  |
| Maximum area                          | - 100,000 acres.  |
| Length of tract                       | - Not to exceed three times its breadth.  |
| Number                                | - No person may hold more than two reservations by application at any one time. No restriction on number that may be obtained by transfer.  |
| Form of reservation                   | - The reservation is in the form prescribed by the Minister. (Exhibit No. )   |
| Term                                  | - Four months.  |
| Renewals                              | - Four months free,<br>Four months free,<br>Three months at seven cents an acre,<br>Three months at seven cents an acre,<br>Three months at eight cents an acre,<br>Three months at eight cents an acre.  |
| Renewals if drilling program underway | - Three months at ten cents an acre,<br>Three months at fifteen cents an acre,<br>Three months at twenty cents an acre,<br>Three months at twenty-five cents an acre,<br>Three months at twenty-five cents an acre,<br>Three months at twenty-five cents an acre.   |
| Extensions                            | - Where the nature of the terrain or inaccessibility of the area or any other conditions over which the holder of the reservation has no control, retards the carrying out of the examination, each of the renewals granted at seven and eight cents may be extended free for not more than three months, meaning that a reservation may be held for a maximum of three years without drilling. |
| Further extensions                    | - At the close of the last eight cent renewal if the Department is satisfied that the nature and  |



Further  
extensions  
(continued)

inaccessibility of the area has seriously retarded the performance of the examination, the reservation may be extended for a further period or periods upon such terms and conditions including the payment of a fee or fees as the Minister may prescribe.

Work required

- During the first ninety days of the reservation the holder must submit to the Department a proposed plan of examination and if the plan is approved the holder must within the next month submit evidence of the engagement of qualified personnel together with the date when the examination will commence. Thereafter work is expected to be done during any period unless restricted by weather or ground conditions.

Reports required

- A progress report must accompany each application for renewal and at the termination of the reservation a final report is required including a map or maps showing the factual data obtained in the examination together with copies of any logs or electrologs taken.

Credit

- A credit not exceeding fifty per cent of the expenditures incurred in the examination may be granted to apply to the rental for the first year of any lease or leases applied for out of the reservation area.

Surrender

- The holder may surrender all or any part of his reservation at any time.

Transfer

- The holder of a reservation may transfer his reservation if the transfer is registered under Part VIII of The Mines and Minerals Act.

Leases and Crown Reserves

- Prior to termination of the reservation the holder may apply to lease not more than fifty per cent of the area in each township comprised in the reservation. The leases or concentration of leases must be in blocks not exceeding three miles square or four miles by two miles. The blocks may corner or be separate one from the other by at least one mile and the remainder of the lands in the reservation are reserved by the Crown and become 'Crown Reserves'.

If in drilling a well on a reservation a discovery of oil is made, application for lease



Leases and Crown  
Reserves  
(continued)

surrounding the well must be made within three months of the discovery and the drilling of another well is not permitted within four and one-half miles of the discovery until application is made for the lease. The balance of the reservation excluding the lands required as Crown Reserves for the lease block may continue under reservation.



Crown Reserve Drilling Reservations

|                                |  |
|--------------------------------|--|
| <b>Fee</b>                     | - \$250.00   |
| <b>Rental</b>                  | - 25 cents an acre.  |
| <b>Maximum area</b>            | - As prescribed in each case.  |
| <b>Manner of application</b>   | - Anyone may ask to have the petroleum and natural gas rights in Crown reserve areas advertised for sale as a drilling reservation.  |
| <b>Granting of reservation</b> | - If the rights are advertised, the reservation is granted to the highest tenderer.  |
| <b>Number</b>                  | - A person may hold any number of reservations.  |
| <b>Form of reservation</b>     | - The reservation is in the form prescribed by the Minister. (Exhibit No. )  |
| <b>Term</b>                    | - Six months.  |
| <b>Renewals</b>                | - Six months at 25 cents an acre,<br>Six months at 25 cents an acre.  |
| <b>Work required</b>           | - Within one year of the date of the reservation, the holder must commence the drilling of a well with a view to finding oil, and within three months of the completion or abandonment of a well, the drilling of another well must be commenced.  |
| <b>Suspension of drilling</b>  | - Where drilling is delayed because of weather or other conditions and through no fault of the holder of the reservation, consent may be given to the suspension of drilling for a period not in excess of six months upon such terms and subject to such conditions as may be prescribed by the Minister. |
| <b>Credit</b>                  | - A credit may be granted for expenditures incurred to satisfy the rental for the first year of any lease or leases applied for out of the reservation.  |



|                         |   |
|-------------------------|---|
| <b>Surrender</b>        | <ul style="list-style-type: none"><li>- The holder may surrender all or any part of his reservation at any time.</li></ul>  |
| <b>Transfer</b>         | <ul style="list-style-type: none"><li>- The holder of a reservation may transfer his reservation if the transfer is registered under Part VIII of The Mines and Minerals Act.</li></ul>   |
| <b>Leases</b>           | <ul style="list-style-type: none"><li>- Prior to termination of the reservation, the holder may apply to lease the petroleum and natural gas rights in the number of quarter sections permitted by the notice of sale, provided a well has been drilled to test for oil in the zone specified or a well has been completed as an oil producer from any other zone.</li></ul>  |
| <b>Discovery of oil</b> | <ul style="list-style-type: none"><li>- When oil is discovered in the drilling of a well, the holder of the reservation must within three months apply to lease the petroleum and natural gas rights in the number of quarter sections permitted by the notice of sale and the drilling of another well may not be commenced in this period unless the holder of the reservation proposes to drill to test for oil in another zone and the subsequent drilling program is approved by the Minister.</li></ul> |
| <b>Crown reserves</b>   | <ul style="list-style-type: none"><li>- The areas not granted under lease continue as Crown reserves.</li></ul>   |



## Natural Gas Licences

|                       |   |
|-----------------------|---|
| Fee                   | - \$250.00  |
| Rental                | - Five cents an acre.   |
| Maximum area          | - 100,000 acres.  |
| Manner of application | - If the holder of a reservation of petroleum and natural gas rights in drilling a well or wells fails to find oil but determines the presence of natural gas he may apply for a licence of the natural gas rights in the zone or zones containing the natural gas in all or any portion of the lands comprised in the reservation. |
| Granting of licence   | - The applicant must furnish a report regarding the natural gas found in the zone or zones applied for so that the zone or zones may be adequately designated in the licence in relation to a general area or in respect to a specified well or wells.  |
| Number                | - A person may hold any number of licences.   |
| Form of licence       | - The licence is in the form prescribed by the Minister. (Exhibit No. )   |
| Term                  | - Six months.   |
| Renewals              | - Six months at five cents an acre,<br>Six months at five cents an acre.   |
| Natural gas           | - For the purpose of these licences 'natural gas' means the production from any well that in the opinion of the Oil and Gas Conservation Board initially produces gas either alone or with oil at a gas-oil ratio of 10,000 cubic feet to the barrel or higher.   |
| Work required         | - Within three months of the date of the licence the licensee must commence the drilling of a well to test for natural gas in the zone or   |



Work required  
(continued)

zones specified in the licence and within three months of the completion or abandonment of a well the drilling of another well must be commenced.

Suspension of  
drilling

- Where drilling is delayed because of weather or other conditions and through no fault of the licensee, consent may be given to the suspension of drilling for a period not in excess of six months upon such terms and subject to such conditions as may be prescribed by the Minister.

Credit

- A credit may be granted for expenditures incurred to satisfy the rental for the first year of any lease or leases applied for out of the licensed area.

Surrender

- The licensee may surrender all or any part of his licence at any time.

Transfer

- A licensee may transfer his licence if the transfer is registered under Part VIII of The Mines and Minerals Act.

Leases

- Prior to termination of a licence the licensee may apply to lease the rights in the natural gas indicated by drilling in the zone or zones. The area that may be acquired under lease is dependent upon the wells drilled and completed as commercial natural gas wells on the following basis:

- (a) six sections for each well finding natural gas at a depth not exceeding 3,000 feet;
- (b) eight sections for each well finding natural gas at a depth exceeding 3,000 feet but not exceeding 6,000 feet;
- (c) ten sections for each well finding natural gas at a depth exceeding 6,000 feet.

If in the drilling of adequately spaced wells a field of natural gas is delimited the licensee may, notwithstanding the previous paragraph, lease the natural gas in the field so delimited within the zone or zones contained in the licence.



|                  |  |
|------------------|--|
| Discovery of oil | - If oil is discovered in any licensed zone in the drilling of a well the licensee may obtain a petroleum and natural gas lease of the quarter section containing the discovery providing he surrenders out of the licence three times the area taken under petroleum and natural gas lease. |
| Crown Reserves   | - Not required.  |



## Crown Reserve Natural Gas Licences

|                        |   |
|------------------------|---|
| Fee                    | - \$250.00  |
| Rental                 | - Five cents an acre.   |
| Maximum area           | - As prescribed in each case.   |
| Manner of application  | - Anyone may ask to have the natural gas rights in Crown reserve areas advertised for sale as a licence.  |
| Granting of licence    | - If the rights are advertised the licence is granted to the highest tenderer.  |
| Number                 | - A person may hold any number of licences.   |
| Form of licence        | - The licence is in the form prescribed by the Minister. (Exhibit No. )   |
| Term                   | - Six months.   |
| Renewals               | - Six months at five cents an acre;<br>Six months at five cents an acre.   |
| Natural gas            | - For the purpose of these licences 'natural gas' means the production from any well that in the opinion of the Oil and Gas Conservation Board initially produces gas either alone or with oil at a gas-oil ratio of 10,000 cubic feet to the barrel or higher.                             |
| Work required          | - Within three months of the date of the licence the licensee must commence the drilling of a well to test for natural gas in the zone or zones specified in the licence and within three months of the completion or abandonment of a well the drilling of another well must be commenced. |
| Suspension of drilling | - Where drilling is delayed because of weather or other conditions and through no fault of the licensee, consent may be given to the suspension   |



Suspension of drilling                    - of drilling for a period not in excess of six months upon such terms and subject to such conditions as may be prescribed by the Minister.

(continued)

Credit                                    - A credit may be granted for expenditures incurred to satisfy the rental for the first year of any lease or leases applied for out of the licensed area.

Surrender                                - The licensee may surrender all or any part of his licence at any time.

Transfer                                - A licensee may transfer his licence if the transfer is registered under Part VIII of The Mines and Minerals Act.

Leases                                    - Prior to termination of a licence the licensee may apply to lease the rights in the natural gas indicated by drilling in any zone or zones found to be commercial. The area that may be acquired under lease is dependent upon the wells drilled and completed as commercial natural gas wells on the following basis:

    (a) six sections for each well finding natural gas at a depth not exceeding 3,000 feet;

    (b) eight sections for each well finding natural gas at a depth exceeding 3,000 feet but not exceeding 6,000 feet;

    (c) ten sections for each well finding natural gas at a depth exceeding 6,000 feet.

Discovery of oil                        - If oil is discovered in the drilling of a well the licensee may obtain a petroleum and natural gas lease of the quarter section containing the discovery providing he surrenders out of the licence three times the area taken under petroleum and natural gas lease.

Crown Reserves                        - The areas not granted under lease continue as Crown reserves.



## Natural Gas Leases

|                |  |
|----------------|--|
| Fee            | - \$10.00  |
| Annual Rental  | - 33 1/3 cents an acre if a market is available.<br>Otherwise 10 cents an acre.  |
| Maximum area   | - No limitation.   |
| Number         | - A person may hold any number of leases.  |
| Form of lease  | - The lease is in the form prescribed by the Minister. (Exhibit No. .)   |
| Term           | - 21 years.  |
| Renewable      | - For terms of 21 years each so long as the leasehold is capable of producing natural gas.   |
| Rights granted | - The lease conveys the right to drill for and produce natural gas from the zone or zones described in the lease. Natural gas means the production from any well that in the opinion of the Oil and Gas Conservation Board initially produces gas either alone or with oil at a gas-oil ratio of 10,000 cubic feet to the barrel or higher.  |
| Royalty        | - As prescribed by the Petroleum and Natural Gas Royalty Regulations.  |
| Work required  | - The drilling of a well for the purpose of obtaining natural gas must be commenced within six months of the lessee being notified by the Minister to do so. When a well is completed or abandoned the next well must be commenced within six months but not more than one well will be required for each spacing unit. The availability of a market for natural gas may have a bearing on the number of wells required. |
| Surrender      | - A lessee may surrender his lease at any time and may surrender a portion of the lease with the consent of the Minister.  |
| Crown reserves | - Not required.  |
| Transfer       | - A lessee may transfer his lease or certain portions thereof if the transfer is registered under Part VIII of The Mines and Minerals Act.   |



## PART VII

This Part applies to geophysical and geological explorations.

The Regulations Governing Geophysical Exploration and Exploratory Operations for Minerals (Exhibit ) permit operations to be conducted on all road allowances, surveyed roads and vacant Crown lands. The regulations also permit operations with the prior consent of the owner or occupant, as the case may be, on lands held under title or under lease from the Crown.

There is a fee for a licence to conduct an operation and a cash deposit to guarantee compliance with the regulations. The licence terminates on the 31st day of March following the date of issue. The fee is \$25.00 and the deposit is \$1,000.00. Anyone operating geophysical equipment must obtain a yearly permit, the fee being \$25.00. Monthly reports are required showing the holes drilled, stations observed, etc.

There are certain areas restricted from operation and these areas:

- (a) areas covered by natural or artificial lakes,
- (b) Provincial Parks, Forest Reserves and grounds upon which public institutions are located, and to explore which the administrative body has not granted the operator permission,
- (c) areas in which underground mines are located, and
- (d) areas defined as restricted areas by the Minister of Mines and Minerals.



If in drilling operations underground water is released and flows to the surface, the hole must be plugged immediately to prevent the escape of water unless arrangements are made with the owner of the surface to complete the hole as a properly controlled water well.

#### PART VIII

This Part allows the registration of transfers of agreements such as leases, licences and reservations which are not prohibited from being transferred under the Act or the regulations. A transfer may be registered with respect to the whole of an agreement, a specified interest in an agreement or as to a portion of a location described in an agreement. The Minister, apart from the insufficiency of the instrument itself, may refuse to register a transfer where registration would result in more than five persons becoming the holder of the agreement or where the specified undivided interest is less than a ten per cent interest.

On the registration of a transfer the transferee becomes the holder of the agreement. A registered transfer is granted priority under the Act over an unregistered transfer.

This Part gives the power to the Lieutenant Governor in Council to make regulations providing for the registration of documents other than transfers, a document being defined as an instrument pertaining to any right granted under an agreement. This would allow registration of such documents as farm-out agreements, trust



deeds and sub-leases. Owing to certain administrative difficulties, regulations for the registration of documents have not as yet been made.

In 1955 when section 82 of the Bank Act was amended to permit banks to loan money on the security of interests in petroleum and natural gas leases and licences, this Part was amended to allow the registration of assignments of interests in leases or licences given as security for loans to chartered banks. In practice, the actual instrument of assignment is registered although provision is made for registration by way of caveat. Since the inclusion of this amendment there have been registered with the Department some three hundred assignments given under section 82 of the Bank Act.

#### PART IX

Under this Part the Lieutenant Governor in Council may authorize the Minister to enter into an agreement for a unit operation, the term "unit operation" being defined as an operation in which several tracts containing oil or gas are integrated into a single unit. Agreements for unit operations are entered into between the owners of the oil or gas and the persons who have been granted the right to drill for and produce the oil or gas; the reasons for doing so being to co-ordinate the development and production of an oil or gas field or to implement a program of conservation.

The terms of leases comprising the tracts being integrated in a unit operation are varied to the extent necessary to implement



the terms of the unit agreement. In the case of the Crown a subsidiary agreement may be entered into with respect to the determination of the rate of royalty payable on Crown minerals. In addition, unit agreements may contain terms with respect to the storage of gas for use in peak periods or with respect to secondary recovery. The Crown is a party to eleven unit agreements but in view of the fact that secondary recovery is becoming increasingly important in oil fields in Alberta, the number of unit agreements involving Crown leases may be expected to increase.

#### PART X

This Part applies to bituminous sands defined in The Mines and Minerals Act as

"the oil sands and all other mineral substances in association therewith being within townships eighty-four to one hundred and four inclusive in ranges four to eighteen inclusive, west of the fourth meridian and occurring in the McMurray formation, being the stratigraphic formation lying above the upper Devonian carbonate sediments and below the Clearwater formation."

The Federal Government established regulations for the disposal of bituminous sand deposits the property of the Crown in the Province of Alberta five months prior to the transfer of the resources to the Province but no permits were granted thereunder.

Similar regulations were established by the Province in 1931, but no disposal had been made thereunder at the expiry of the



regulations on April 1, 1949. In 1952 a form of permit was approved by the Lieutenant Governor in Council for the granting of bituminous sands areas for exploration and fourteen of these permits were granted. They have all terminated in some cases were followed by lease.

The next regulations for the disposal of bituminous sands rights came into effect on the 14th day of December 1955 and the areas under permit are shown on the map (Exhibit ). The map also shows areas presently held under lease together with areas patented under the petroleum and natural gas sale regulations by the Federal Government. The number and acreage of permits and leases now active are:

|                                      | <u>Number</u> | <u>Acreage</u> |
|--------------------------------------|---------------|----------------|
| Bituminous sands prospecting permits | 60            | 2,864,342      |
| Bituminous sands leases              | 12            | 100,054.20     |

The royalty shall be at such rate as may be prescribed from time to time by the Lieutenant Governor in Council on each of the products derived from the bituminous sands but to date the rate has not been established. The provisions pertaining to prospecting permits and leases of bituminous sands rights are summarized.



Bituminous Sands Prospecting Permits

|                  |   |
|------------------|---|
| Fee              | - \$250.00  |
| Rental           | - 5 cents an acre   |
| Deposit          | - \$50,000.00   |
| Maximum area     | - 50,000 acres  |
| Number           | - No person may hold more than two permits by application at any one time. No restriction on number that may be obtained by transfer.   |
| Form of permit   | - The permit is in the form prescribed by the Minister. (Exhibit No. .)   |
| Term             | - One year  |
| Renewals         | - One year at 10 cents an acre,<br>One year at 10 cents an acre.  |
| Work required    | - Before the granting of the permit the permittee must furnish a satisfactory plan of the proposed examination. Work conducted must be in accordance with the plan of examination.  |
| Reports required | - With each application for renewal the permittee must report on the progress made and the portion of the examination expected to be completed within the renewal period. At the termination of the permit a final report is required with a complete copy of every log taken of each hole drilled. |
| Surrender        | - The permittee may surrender all or any part of his permit at any time.  |
| Transfer         | - The permittee may transfer his permit if the transfer is registered under Part VIII of The Mines and Minerals Act.  |
| Leases           | - Prior to termination of the permit the permittee may apply for a lease of bituminous sands rights in an area within the lands described in his permit provided operations have been conducted in accordance with the Department's requirements.   |
| Crown reserves   | - Not required.   |



### Bituminous Sands Leases

|                 |  |
|-----------------|--|
| Fee             | - \$5.00   |
| Annual rental   | - 25 cents an acre for the first five years of the term, \$1.00 an acre for the balance of the term.   |
| Deposit         | - \$5.00 an acre subject to a maximum of \$50,000.00 and a minimum of \$10,000.00. Upon completion of the plant or other works satisfactory to the Minister the deposit is refundable.   |
| Maximum area    | - 50,000 acres   |
| Number          | - A person may hold any number of leases   |
| Form of lease   | - The lease is in the form prescribed by the Minister. (Exhibit No. ).   |
| Term            | - 21 years   |
| Renewable       | - For terms of 21 years each so long as a plant or other works are in operation.   |
| Royalty         | - As prescribed by the Lieutenant Governor in Council.   |
| Maximum royalty | - The maximum royalty on products recovered during the first term of 21 years is one-sixth.  |
| Work required   | - The building of a plant or other works shall be commenced within one year from the date upon which the lessee is given notice by the Minister to do so and the plant or other works must be placed in operation within four years from the date of the notice given by the Minister. The notice by the Minister shall not be given until the expiration of at least one year from the date of the lease. |
| Surrender       | - A lessee may surrender his lease at any time and may surrender a portion of the lease with the consent of the Minister.  |
| Transfer        | - A lessee may transfer his lease or certain portions thereof if the transfer is registered under Part VIII of The Mines and Minerals Act.   |
| Crown reserves  | - Not required.  |



This concludes the portion of the submission relating to The Mines and Minerals Act.

I now propose to comment on other factors affecting the oil and gas industry that are governed by statutes administered by the Department of Mines and Minerals.

#### ACQUISITION OF SURFACE

The Right of Entry Arbitration Act (Exhibit ) deals with the acquisition of the surface of land required by operators in the development of their minerals where agreement cannot be reached with the surface owner. In effect it takes away the common law right of a mineral owner to work his mineral but at the same time provides a procedure to enable him to acquire what surface area he requires without litigation. It also ensures that surface owners are fairly compensated for loss of the surface, damage to the land and inconvenience arising from the mineral owner's operations.

Under the Act, a Board of Arbitration is constituted consisting of three members. A secretary to the Board and a staff are provided. The Board members are appointed by the Lieutenant Governor in Council but are responsible to the Minister of Mines and Minerals in so far as administration is concerned. The Act provides that no appeals may be taken from the Board's orders but provision is made for the Board to review, alter or vary any of its orders or directions.

Section 12 of the Act provides that no operator - defined



as a person having the right to a mineral - may enter on the surface of land without having either the consent of the owner, or an order of the Board granting him the right to enter, use or take the surface of the land. It is obligatory that the operator attempt to reach an agreement with the surface owner and not until he has done so may he apply to the Board.

Applications to the Board must be accompanied by a plan or description of the land required and copies must be served on any person whose interest in the land is affected who then has seven days in which to register an objection with the Board.

Operators may be given the right to enter and use the land at the conclusion of the seven day period or may be required to wait until a hearing is held. In the first case, a hearing is held as soon as possible after an order is given to determine compensation. In this, the Board considers the value of the land, possible damage of a permanent nature, inconvenience, and general disturbance. The hearing to determine compensation can be held either before or after the entry of the operator on the land.

The amount of compensation granted varies from case to case depending on the nature of the soil, damages to crops, inconvenience caused by severance, noise and any other factors which the Board deems it advisable to consider.

A typical case would be where an operator required five acres in a quarter section of cultivated land for a well site, access



road and flow line. The compensation would be given firstly as to the taking of the land, possible damage, disturbance and inconvenience in one lump sum and secondly, in yearly payments for continuing loss of use of the land and inconvenience. In this case the farmer might receive a lump sum of from one thousand to fourteen hundred dollars and a yearly payment from then on of from two hundred to four hundred dollars until the Board terminates the right of entry.

The most common cases involve well sites, access roads and flow lines although land required for short power lines necessary for the mineral operations may be given. In 1957 approximately thirteen hundred applications were heard involving some seventeen hundred sites for wells or other installations.

The interest in the land which the operator receives is every right except the right to a certificate of title subject to any conditions imposed by the Board such as the maintenance of fences or the right of the owner to the use of a road.

A distinction is made between Crown land and private land in that in the case of Crown land the operator may go to the Board in the first instance rather than deal with the government Department concerned. Compensation payable to the Crown since it is usually for vacant land in the more remote areas is considerably lower than that payable to private owners unless there is destruction of valuable timber when compensation is determined accordingly.

While the compensation determined by the Board may be higher



or lower in any particular area than the operator has initially offered to the surface owner, in practice, the compensation set by the Board has the effect of stabilizing values in that area. The Board's operations over the years have removed to a large degree in Alberta the contentiousness which may exist between surface owners and mineral operators.

#### PIPE LINES

The Pipe Line Act in Alberta (Exhibit ) is under the administration of the Department of Mines and Minerals. Generally it governs the construction and operation of main gas and oil transmission lines within the Province, gathering lines and pipe lines used for various operations relating to the drilling and production of oil and gas wells.

#### GAS LINES AND OIL LINES

Gas transmission lines are those constructed or being constructed for the transmission of gas from the various gas fields to interprovincial pipe lines or to a distribution system for ultimate consumers. Before construction can be commenced, an application must be made to the Minister of Mines and Minerals indicating the proposed route and giving the specifications of the pipe, etc. Copies of the application are filed with the Oil and Gas Conservation Board and the Minister of Highways. Before granting a permit to construct a gas line the Minister considers any recommendations or objections which the Board or the Minister of Highways may make and objections of other



interested parties.

After the granting of a permit, the permittee may proceed to acquire whatever interests in the land that he requires for the pipe line. If the permittee is unable to do this by contract with the land owner, he may apply to the Board of Public Utility Commissioners. On completion of construction the permittee makes an application to the same Board for an order permitting him to operate the line. The Board requires evidence that the line has been satisfactorily tested before the order is issued.

Main oil transmission lines within the Province are those carrying oil to interprovincial lines or to refineries from fields. The procedure as to permits and operation are for the most part similar to that applicable to gas lines. In both cases advertising of an intended application and the proposed route of the pipe line is required under the Act although the Minister may exempt an applicant from this requirement. A map showing main oil and gas lines is provided (Exhibit ).

#### GATHERING LINES

Under the present Act gathering lines are exempt from those provisions pertaining to permits and orders permitting operation. Gathering lines, as their name implies, are used to collect and gather oil or gas in producing fields preparatory to entry into a main line. Another type of line, called service lines, are used for carrying oil, gas or water required for operations conducted in fields



for secondary recovery, water injection or disposal schemes and services pertaining to various drilling and production operations.

Service lines are dealt with under the Act in the same manner as gathering lines. The right to take land required for gathering lines and service lines follows the same procedure as that for main lines.

#### FLOW LINES

A special category of pipe line known as a "flow line" is used for carrying oil from a well to a tank or tank battery in close proximity to it. The right to land required for flow lines where agreement with the owner cannot be reached is obtained from the Board of Arbitration under The Right of Entry Arbitration Act.

#### LAND REQUIRED

Except for flow lines, where the Crown is the owner of land required for a pipe line, the operator is required to apply to the Board of Public Utility Commissioners. Where the land is privately owned, the great majority of land acquisitions are settled by agreement. There are no fees payable either for permits or for the various orders obtained. The compensation payable to the Crown for land taken is generally lower than that payable for private land except where valuable timber stands are affected when compensation for destruction of timber is taken into consideration.

#### GENERAL

It is impossible to give the total pipe line mileage in



Alberta. An operating licence system may be adopted which will establish a record of each line in the Province and the mileage may then be calculated.

The companies engaged in constructing and operating pipe lines in the Province fall generally into three classes:

- (a) the pipe line company which constructs and operates the main lines and their attendant gathering lines,
- (b) pipe line companies which are subsidiaries of oil companies and which construct and operate pipe lines to carry oil or gas to refineries, and
- (c) the producing companies themselves which construct and operate flow lines, gathering lines and service lines.

A pipe line may be declared "a common carrier" by the Oil and Gas Conservation Board and if the charges cannot be agreed upon they may be fixed by the Board of Public Utility Commissioners.

If the pipe specifications are satisfactory for an oil line a permit is usually granted reasonably soon after receipt of the application. In the case of gas lines, it is customary for the Oil and Gas Conservation Board, before making its recommendation to the Minister, to hold a hearing and to consider all aspects of the case including interests of producers and consumers.

A decision of the Minister with respect to an application for a permit is final and not subject to review in any court of law.



## MINERAL TAX

The Mineral Taxation Act (Exhibit )

applies generally to all minerals held in fee simple in the Province. It provides firstly for the levying of a tax on the owners of minerals based on acreage and secondly for the assessment and levying of a tax on minerals in producing areas.

In the first case - the acreage tax - the maximum rate prescribed under the Act is five cents per acre but may be fixed by the Lieutenant Governor in Council at a lesser rate. At the present time the rate is one and one-half cents an acre. The minimum tax payable is twenty-five cents.

In the second case - the producing area tax - the principal mineral within a producing area is assessed under the Act at the fair actual value which is computed in accordance with the following schedule:

1. The fair actual value for the purpose of assessment in any year of the petroleum within, upon or under the land allocated by the Minister to a well producing petroleum or petroleum and natural gas shall be one and one-half times the value at the average field price during the first three months of the year in which the assessment is made of all petroleum produced from the well during the preceding year.

2. The fair actual value for the purpose of assessment in any year of the natural gas within, upon or under the land



allocated by the Minister to a well producing either natural gas alone or both petroleum and natural gas shall be four times the value at three cents per thousand cubic feet of the natural gas produced from the well during the preceding year.

Where oil and gas is subject to a lease, it is customary for the lessee, to reimburse the mineral owner seven-eights of the producing area tax. The only minerals in Alberta affected by the producing area tax are coal, oil and gas.

The Act provides that after an assessment has been made with respect to the producing area tax, the assessment roll be posted in specified places in Calgary and Edmonton. Any owner whose mineral has been assessed is then given the opportunity to appeal to the Alberta Assessment Appeal Board.

Revenue collected by the Province under this Act for the fiscal years 1949 to 1957 is as follows:

| <u>Year</u> | <u>Acreage Tax</u> | <u>Producing Area Tax</u> | <u>Total</u>        |
|-------------|--------------------|---------------------------|---------------------|
| 1949-50     | \$297,883.10       | \$ 452,838.16             | \$ 750,721.26       |
| 1950-51     | 307,062.62         | 526,029.61                | 833,092.23          |
| 1951-52     | 323,185.71         | 444,293.91                | 767,479.62          |
| 1952-53     | 310,285.08         | 572,671.45                | 882,956.53          |
| 1953-54     | 283,853.18         | 717,352.55                | 1,001,205.73        |
| 1954-55     | 277,842.74         | 1,031,913.72              | 1,309,756.46        |
| 1955-56     | 264,496.50         | 1,031,802.40              | 1,296,298.90        |
| 1956-57     | <u>272,883.90</u>  | <u>1,070,380.73</u>       | <u>1,343,264.63</u> |
|             | \$2,337,492.83     | \$5,847,282.53            | \$8,184,775.36      |



I shall be pleased to supply additional information on any aspect of the administration of the Department of Mines and Minerals that the Commissioners may desire.

All of which is respectfully submitted.

H. H. Somerville,

Deputy Minister of Mines and Minerals.

February 3, 1958.





